

# Handloom news

April 2003, Issue 2

(For private circulation only)

Dear Readers,

*Welcome to the second issue of Handloom News. There was some delay in sending out this, and other issues, as CHIP is trying to establish itself in Chirala. Establishing an exclusive resource center, which caters to the needs of the handloom weavers is a challenging task, as there is no precedence for such efforts. We are trying to build the information base on handloom sector, as also disseminating information to the weavers, as well as the policy makers. Formal research institutions have failed in supporting the handloom sector through effective research into the strengths and needs of the sector. While earlier there has been lot of emphasis on rhetoric, presently it is the reverse. There are all sorts of assumptions in the policy-making circles about the handloom sector. These assumptions were epitomized by the Satyam Committee, and the World Bank. In a typical example of bureaucratic arrogance and 'external' chauvinism, Satyam Committee says, "the growth of handlooms in the country has been in the warm confines of protection and support". On the contrary, it is the interference of the government and political debauchery that has ruined the handloom sector. Government schemes have enabled the development of whole system of middlemen and their representative institutions who have insulated the government from the realities of the handloom weavers. Despite government schemes, poverty among handloom weavers is rising. An independent sector has been brought onto its knees in the last thirty years of experimentation and indulgence.*

*In this issue, we try to bring you how the Satyam Committee recommendations are under implementation despite the government's assurance in the Parliament. The recent Budget and the previous budgets also clearly indicate the 'hidden hand' of Satyam Committee recommendations. We hope that this contradiction and dichotomy in the government's approach would be taken up by the friends of the handloom sector at appropriate levels.*

**D. Narasimha Reddy**

## **Handloom Policies and Budget – what is correct?**

If one goes through various documents of the Central government, he/she is surely to go into a tizzy considering the diversity in the figures and statistics. A common person would find it extremely difficult to understand as to why there should be variation in the budgets. Equally, there is no attempt to link these various figures to explain the variation.

In the First issue of Handloom News, we featured an analysis of reducing budget allocations to the handloom sector from demand grants for various years. However, subsequently, we found that the website of Ministry of Textiles has information on the budget. This site has information on annual Plans. The figures mentioned in these Plans, and those taken from the Grants presented in the Parliament do not tally at all. Is there a fundamental problem in understanding this at our level, or the

data presented in either of the documents is wrong? If things are wrong, what is the basis for any discussion? Who is responsible? Is there accountability for such variations?

### ***Annual Plans in Textiles – Handloom Allocations***

Description	Outlay		Expenditure
	Ministry (texmin.nic.in)	Demand Grant (indiabudget.nic.in)	Ministry (texmin.nic.in)
9th Plan Total (1997-02)	425.50		356.58
1997-98	110.00	107.00	92.00
1998-99	93.00	89.80	81.50
1999-00	85.00	81.80	77.31
2000-01	135.00	112.00	102.64
2001-02	137.00	116.00	112.07
10th plan Total	625.00		
2002-03	140.00	117.00	40.96*

\* Upto 03.1.2003

Further, it is clear from the above table that allocations for the handloom sector are not being utilised fully. For the Ninth Five year Plan, the allocation is Rs.452.50 crores, of which only Rs.356.58 crores has been expended – almost 23 percent of the funds were not utilised.

Even the year-wise outlay is not being utilized fully: for the year 1997-98 allocation is Rs.93 crores, and the expenditure is Rs.81.50 crores. This is similar for all the five years. However, inexplicably, the total of the year-wise expenditure for the five years from 1997-98 to 2001-02 is Rs.465.52, exceeding the Plan outlay of Rs.452.50 crores by Rs.13.02 crores. What is the correct position?

Whatever might be the position, this gives veracity to the claim that handloom outlay is being fudged, and most of the outlay is being diverted to powerloom sector. It also proves that despite the government proclamations handloom schemes are not being implemented properly.

### **New Textile Policy 2000 – the ghost of Satyam Committee recommendations on the handloom sector**

While the Central government has ‘assured’ the Members of Parliament that Satyam Committee’s recommendations are not accepted, in reality the recommendations are being implemented in true letter and spirit.

#### **I. What the World Bank recommended....**

programs to convert handlooms to powerlooms and to upgrade product quality may offer a viable and effective strategy for raising weavers’ productivity. Another course involves mitigating employment and income losses in

the handloom industry through training and job conversion programs to help weavers move to more productive employment, including garment making.

#### **What the Satyam Committee recommended...**

A concerted effort will have to be taken by the government to convert handloom weavers as powerloom weavers

#### **What did the government do..**

Bring in Deendayal Hathkhargha Protsahan Yojana, provide more incentives to powerloom sector

## II. What the World Bank thinks...

What protects the operators of India's 3.6 million handlooms is the translation of a fundamental social goal - the priority given to generating employment and alleviating rural poverty - into a set of operational economic policies affecting far more enterprises and lives than the estimated 6-7 million people whose looms cater primarily to the fabric requirements of rural folk and who also specialize in saris in many areas.

### What the Satyam Committee thought...

It is suggested that withdrawal of subsidies may be done in a phased manner, say at the rate of 20 percent every year, commencing from 1999-2000.

### What did the government do....

Reduction in budget allocations, withdrawal of special subsidies. "During the Tenth Five Year Plan, central assistance will be reduced on a tapering manner @ 20% per annum"

## III. What did the World Bank preach...

Elimination of handloom and SSI reservation

### What the Satyam Committee recommends...

Gradual withdrawal of handloom reservation Act

### What did the government do...

Reduce the number of articles reserved from 22 to 11. Reduction in funds for enforcement, which was anyway lax. "Eleven categories of textile articles are presently reserved for exclusive production by handlooms, vide notification dated 26.07.1996 and amendment dated 02.6.1999 & 25.04.2000."

In general, the approach and policy of the government with regard to handloom sector in the last three years has been based on the recommendations of the Satyam Committee. While the government pronouncing its continued interest in handloom sector, various schemes and budget allocations are clearly in favour of powerlooms and mill sector. Under rationalization of textile policy and textile industry structure in India, which is

supposed to 'strengthen the entire sector' to face the international competition in the quota-free market in 2005, government has brought in deliberate policies to withdraw welfare schemes, and reduce budget allocations and active promotion of powerlooms. At the same time, government is shying away from saying this boldly. Every assessment shows that handloom sector is ridden in crisis because of unfair practices of powerlooms and mill sector, lax enforcement machinery, governmental interference in cooperative societies and corruption. New schemes such as apparel parks, technology upgradation funds, credit schemes, central excise taxation on hank yarn, etc. would harm the interests of the handloom sector. It is not known whether the powerloom and mill sector would be able to withstand the impending competition in 2005 through these schemes. But it is apparent; using this ghost these sectors are gaining funds and policies at the cost of handloom sector.

Powerloom sector has successfully diverted the attention of the government from the fact that many powerloom products thrive on the demand for handloom products. There is a deliberate attempt to blur the differentiation between powerloom and handloom products by resorting to improper labeling of other products as handloom products. While the Satyam Committee, the World Bank and the government eulogize the tradition, skill and the finery of the handloom products, they have done nothing to protect these products from cheap imitations and false claims.

## Employment in Textile and Allied Sector, Govt. of India

The below table demonstrates that employment in handloom sector is the largest in the entire textile sector. In fact, it is increasing. Given this, government has failed to bring in policies which would protect this employment. The alternative is for the government to provide suitable employment opportunities. Employment in handloom sector is

S.No	Sector/ Industry	Employment (in Millions)		
		As on March 2001 (Estimated)	Projected for the terminal year of the Tenth Plan	Increase
I	Textile sector			
1	Cotton/Man-made Fibre/Yarn Textile/Mill Sector (including SSI spinning & exclusive weaving units)	1.07	1.10	0.03
2.	Man-made Fibre/Filament Yarn Industry (including texturising industry)	0.11	0.20	0.09
3	Decentralised Powerlooms Sector	4.15	4.25	0.10
4.	Handloom Sector	12.00	12.40	0.40
5.	Knitting Sector	0.30	0.50	0.20
6.	Processing Sector	0.24	0.30	0.06
7.	Woollen Sector	1.20	1.30	0.10
8.	Ready Made Garment Sector (including Knitwear Sector)	3.54	6.80	3.26
9.	Sericulture	5.57	6.03	0.46
10.	Handicraft Sector	5.84	6.77	0.93
11	Jute Industry			
	1. Organised Jute Industry	0.20	0.20	0.00
	2. Decentralised Jute Industry	0.20	0.30	0.10
	Total (I)	34.42	40.15	5.73

increasing because of unemployment in other rural sectors, and there is demand for handloom products. Thus, there is the work and the market. The least government can do, without investing huge amounts on subsidies, is to protect this employment. While the handloom sector employs 12 million people, the next closest employment is

available in decentralized powerlooms 4.25 millions. A rapid rise is however seen in readymade garment sector, which now employs 6.80 millions. The whole focus of the government is on sectors which generate least employment. If globalisation means more unemployment in the country, then this is the classic example.

**Excerpts from the Parliamentary Standing Committee (48<sup>th</sup> Report, Tabled in Parliament in April, 2001)**

“The handloom subsidies have been reduced to about 40 percent in comparison to that of B.E. 2000-2001. The Project Package Scheme for Handloom Weavers received a Plan allocation of Rs.20.00 crore in B.E. 2000-2001, revised to Rs.12.30 crore in R.E. 2000-2001. But, in the B.E. 2001-2002, no Plan allocation is specifically made for Scheme. In fact, the essential components of the Scheme have been merged with the new scheme namely, Deen Dyal Hathkargha Protshahan Yojna. In the B.E. 2000-2001, Deen Dyal Hathkargha Protshahan Yojna received a plan allocation of Rs.66.00 crore while in the B.E. 2001-2002, witnessed a rise of nearly Rs.26.00 crore. The centrally sponsored schemes for Handlooms, particularly grants for workshed-cum-housing scheme for Handloom weavers and Assistance for Handloom, Weavers Welfare Scheme receive a reduced allocation of Rs.1 crore each in the B.E. 2001-2002.

Another major reduction in B.E. 2001-2002 has been in the realm of Plan allocation for development of Handlooms in the North-Eastern Region and Sikkim. No Plan allocation has been made for the North-Eastern Region and Sikkim in the B.E. 2001-2002 while in the B.E. 2000-2001 it was Rs.21.00 crore under the plan scheme.

The Committee feels that the Plan allocation for welfare of Handloom weavers should not have been reduced. The States should also be persuaded to bear the responsibility to ensure maximum welfare of the weavers.

*The Committee is of the view that the interests of 65 lakh persons should not be lost over the horizon of economic liberalization.* The Ministry should evolve a strategy through which the individual handloom weavers are brought under cooperative fold as most of the existing schemes generally

benefit those weavers only who fall under the ambit of cooperatives. To further this end, a concerted effort should be made to popularize Work-shed-cum Housing Scheme for handloom weavers. The allocations for it should be increased substantially so that handloom weavers living near the sub-urban areas are provided with worksheds, along with the houses. Cooperative housing also should be encouraged so that the worksheds available to them are so modernized that they could compete with others in the realm of quality & productivity.

The handloom sector is in need for a proactive role of Government in carrying out developmental activities. **The Committee reiterates their recommendation contained in the 40<sup>th</sup> and 43<sup>rd</sup> Reports that Government should increase the proportion of reservation of yarn and continue to earmark a portion of the overall textile output for the handloom sector.** In a welfare state commercial interests of the State should remain sublimated. It is the duty of Government to effect qualitative changes in the life of its populace.

Further, the handloom sector should be adequately protected by the provisions of Hank Yarn Obligation order and the Reservation orders issued under the Handloom (Reservation of Articles for Production) Act, 1985. A lot more is desired on implementation of the above measures. The Committee, therefore, strongly recommends that the New Textiles Policy, 2000 should not review the above measures to the disadvantage to the needs of the handloom weavers. Any review which inculcates a new spirit, better prospects for the handloom weavers, would be a welcome step and the needs of the grassroot handloom weavers should be the focus of any such review. (para 8.3)

The Committee feels that the future of handlooms does not lie solely in exports. In fact, their strength lies in the local market. It is, therefore, important for Government to formulate a strategy whereby a proper market support to handloom products could be provided in the domestic markets, besides the exports.



The Centrally sponsored scheme for Assistance for Handloom Weavers' Welfare Scheme receives Rs.5.00 crore as Plan allocation, while it was Rs.6.00 crore in B.E. 2000-2001. Thus, in the B.E. 2001-2002 Rs.1.00 crore have been reduced. The Ministry must insulate the handloom weavers from the onslaught of forces of liberalization, by proper implementation and monitoring of handloom Weavers Welfare Scheme, which should not have received reduced allocation. While allocating budgetary resources, the rationale should be to continue the purposeful schemes, giving more attention to those which directly affect the life of handloom weavers.

The Committee reiterates their recommendation contained in the 43<sup>rd</sup> Report that the concern for qualitative improvement in life of handloom workers should be kept in the forefront.”

Despite this report, and the recommendations, budgetary allocations to the handloom sector have been decreasing. We give you an update on this, in continuation of our earlier issue.

**Handloom subsidy:** In 2001-02 budget, subsidies have been further reduced by 23 percent – from Rs.27 crores in 2000-01 to Rs.21 crores in 2001-02. The allocation of Rs.21 crores was revised to Rs.10.95 crores, subsequently. This has been further reduced to Rs.11 crores in 2002-03 budget – a 50 percent reduction. Even this allocation was revised to Rs.5.29 crores. The allocation in 2003-04 stands at Rs.5.50 crores. We need to see whether this would be ‘revised’ further down.

**Workshed-cum-Housing Schemes:** Grants to these Schemes have been reduced from Rs.10 crores (2000-01) to Rs.9 crores (2001-02). The allocation in 2001-02 was subsequently was revised to Rs.6.50 crores. In 2002-03, the allocation was Rs.7 crores, and enhanced to Rs.10 crores in 2003-04.

**Project Package Schemes for Handloom weavers:** Budget allocation for this scheme in 2000-01 was Rs.20 crores, which was revised to Rs.12.30 crores. There was no allocation in 2001-02. It was declared this Scheme has been ‘merged’ into Deendayal Hathkhargha Yojana.

**Deen Dayal Hathkargha Protshahan Yojna:** This is a new scheme introduced with an allocation of Rs.40 crores in 2000-01, which was revised subsequently to Rs.20 crores. In 2001-02, Rs.66 crores was allocated, which was revised to Rs.48.55 crores. In 2002-03, the allocation was Rs.65 crores, again revised to Rs.62.77 crores. In 2003-04, the allocation is Rs.52.50 crores. This fluctuation in allocation is inexplicable, if the implementation is proper.

**Scheme for Intensive Development Project and Export Promotion:** For this scheme in 2000-01, Rs.4.50 crores were allotted, which was revised to Rs.4.95 crores. In 2001-02, the allotment increased to Rs.6.25 crores. There was no allocation for the subsequent years.

**Assistance for setting up of Marketing Complex and Yarn Procurement:** In 2000-01, this scheme received Rs.4 crores, which was revised to Rs.4.40 crores. In 2001-02, allocation was increased to Rs.7 crores. There was no allocation subsequently.

**Weaver Service Centre:** Under this, budget allocation for 2000-01 was Rs.13.94 crores, which was revised to Rs.14.30 crores. For the same, in 2001-02, the allocation was Rs.16.10 crores, revised to Rs.16.16 crores. In 2002-03, the allocation decreased to Rs.15.30 crores, but revised to Rs.15.44 crores. In 2003-04, the allocation increased to Rs.16 crores.

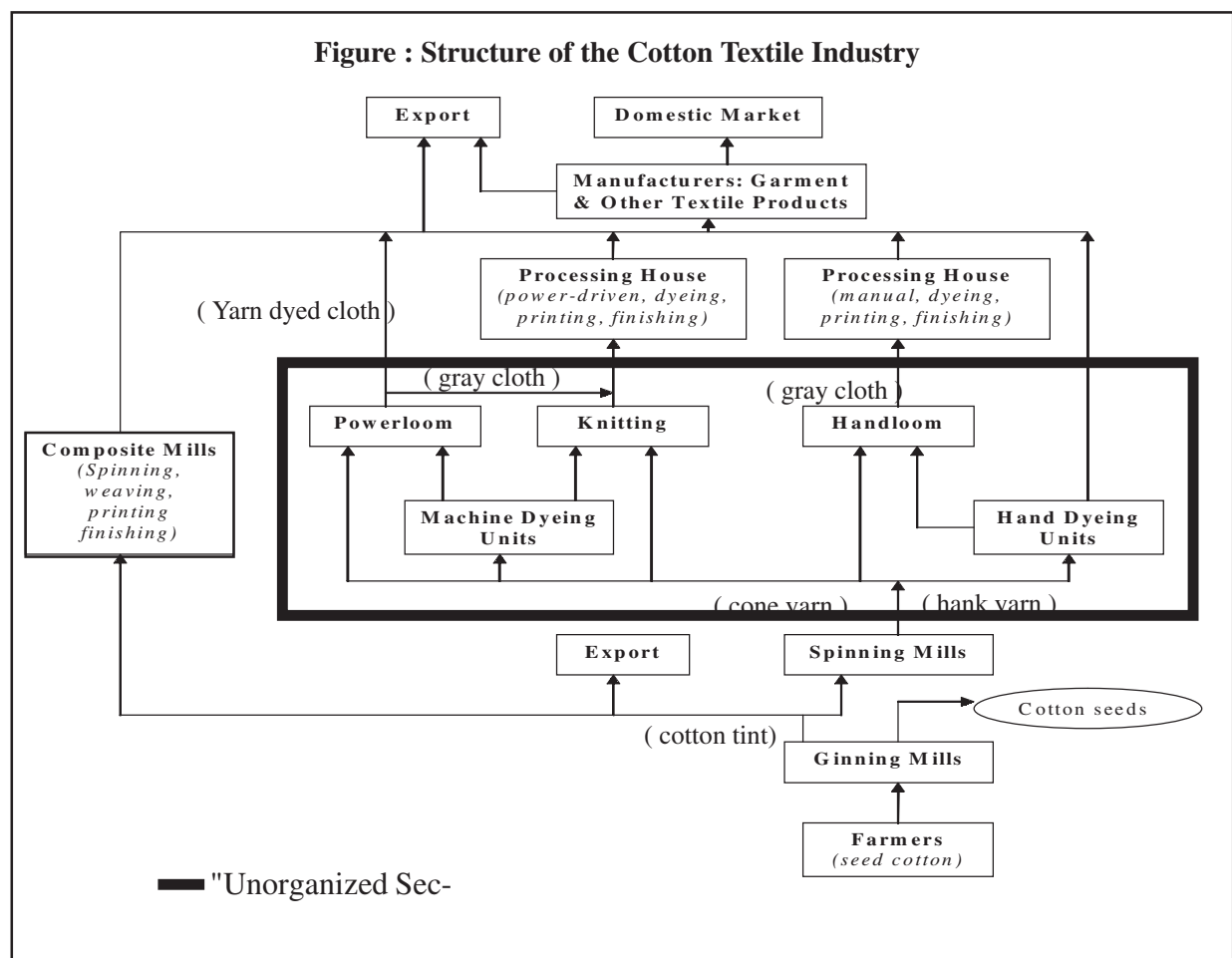
**Scheme for Handloom Export Development:** A sum of Rs.4 crores was allotted to this scheme in 2000-01, which increased to Rs.5 crores in 2001-02. This was revised to Rs.3.5 crores in the same year. In 2002-03, the allocation was again

Rs.5 crores, revised to Rs.3 crores. In 2003-04, the budget allocation is Rs.4.50 crores.

Thus, overall the budget for handlooms within the textile budget has been decreasing every year, from Rs.203.50 crores to Rs.152.83 crores, between 1997-98 to 2002-03. Revised budget from 2002-03 indicates slight increase to Rs.212.40 crores. This further increased to Rs.255.68 crores. This increase is due to introduction of new schemes such as reimbursement of CENVAT on account of imposition of excise duty on hank yarn (Rs.75 crores, introduced in 2003-04), Mill gate price scheme (Rs.8 crores, introduced in 2002-03), Market Promotion Programme (Rs.7 crores, introduced in 2002-03) and Design Development and Training Programme (Rs.9.4 crores in 2002-03 and Rs.34.96 crores in 2003-04).

Revised allocations show that actual expenditure is much less than what is approved in the Parliament – from 1997-98 to 2001-02, the reduction is from Rs.174.76 crores to Rs.152.83 crores. Common person would never understand this politics of revised budgets, and why the revised budget is lesser than the original allocation.

However, the new schemes do not help the handloom sector directly or indirectly. The CENVAT-related excise tax is more of a hindrance than any real help to the handloom weavers. The design and training programme allocation probably is directed to NIFT and other fashion institutes. It can be clearly seen that the recommendations of the Satyam committee are in operation, as the budget allocations in the last three years show: subsidies are being withdrawn at the rate of



Source: India: Cotton and Textile Industries Reforming to Compete, Volume II, Annexes, January 14, 1999.

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20 percent per annum, and schemes are being refurbished.

### **Weaver's Situation – Growing Poverty**

Ponduru is a village in Srikakulam district. If we visit once Ponduru or Sirscilla or Pochampalli, we would understand the situations that force handloom weavers to commit suicides. Ponduru's khadi is very famous, which was appreciated by Mahatma Gandhi also. Today, those famous handloom weavers are struggling to survive. In the same way Pochampalli is famous world wide for its Tie & Dye handloom production. But this same variety is suffering from the competitors who are producing duplicates at cheaper prices.

In Andhra Pradesh alone, 7 lakh people depend on handloom sector. Many families are living in utter penury. This clearly indicates the neglect of the sector by the government. Further, the growth of powerlooms is having a negative impact on handlooms. In fact, handloom designs are being copied by powerlooms. Using these designs powerlooms are producing clothes at a cheaper rates. In addition, government is providing subsidies to powerlooms. While the government is encouraging the powerlooms, would it not have impact on handlooms? While the Andhra Pradesh government has reduced budget allocations, it is also diverting the Central funds allocated for handloom sector to powerlooms and other sectors. Both Central and State governments are partisan in their approach. Due to these partisan public policies, lives of handloom weavers have become miserable.

To cite an example, Ummiti Koti Nageshwar Rao, a handloom worker, and his wife Usha Kumari, who belong to Pedana in Krishna district migrated in search of better livelihood to Desaipet village in Vetapalem mandal of Ongole district about 30 years back. They have been living from hand-to-mouth on daily wages ever since. They have two sons and one daughter. Among them, the elder one Ummiti Shiva Durgaprasad showed lot of interest in

studies from childhood. He did his primary education in the local Primary School at Dantampeta. Despite his interest in studies, the family could not afford to provide for his education. Understanding their situation, Head Master of the school Mr. Tulasi Prasad advised the couple to enroll their son in Gurukul school, where education is free, for better future. Following this advice, Durga Prasad appeared for the entrance examination to the Gurukul schools after the completion of 5<sup>th</sup> class. He passed the test with flying colours. Thus, he got admission in a Gurukul school at Kota in Nellore for studies from 6<sup>th</sup> class to 10<sup>th</sup> class. Showing good performance every year, he completed his 10<sup>th</sup> class with 572 marks out of 600. However, his father could not afford to send him for further studies. In fact, the entire family was not getting a square meal for a day. Having to come to know of this, some residential junior colleges offered waiver of fee to complete Intermediate. Despite this offer, the family was not in a position to pay for the books and clothes. Durga Prasad wanted to earn this money for himself, by working in the pre-loom works. Second son was able to complete 8<sup>th</sup> class with difficulty, and had to come back to work. Their mother along with the daughter have started a tiffin center to supplement the family income. Thus, this family is struggling to survive and is unable to provide means for their children to have better living prospects.

Who is at fault here? A brilliant student lost an opportunity for better life simply because the government refuses to give education, and support to handloom weavers. Yet, there is lot of rhetoric on preventing child labour, and poverty amelioration efforts.

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Write to us your suggestions and contributions.